

# Salt Lake City Department of Airports



*Airport Overview*

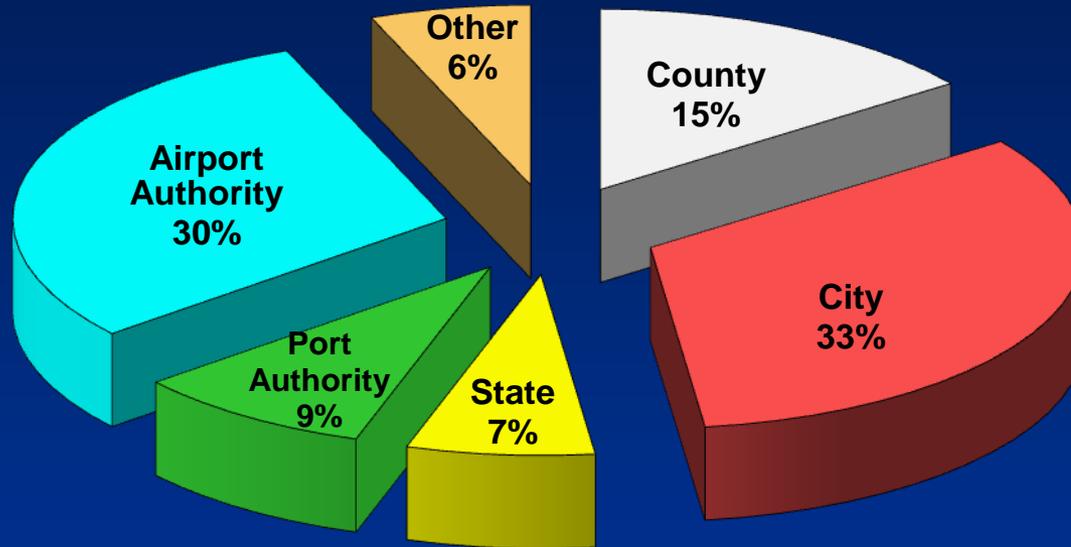
# Presentation Summary



- Airport Framework
- Activity Update
- Airport Redevelopment Program

# U. S. Airport Ownership

*Most airports are public non-profits, directly run by government entities.*



Source: ACI-NA Primer

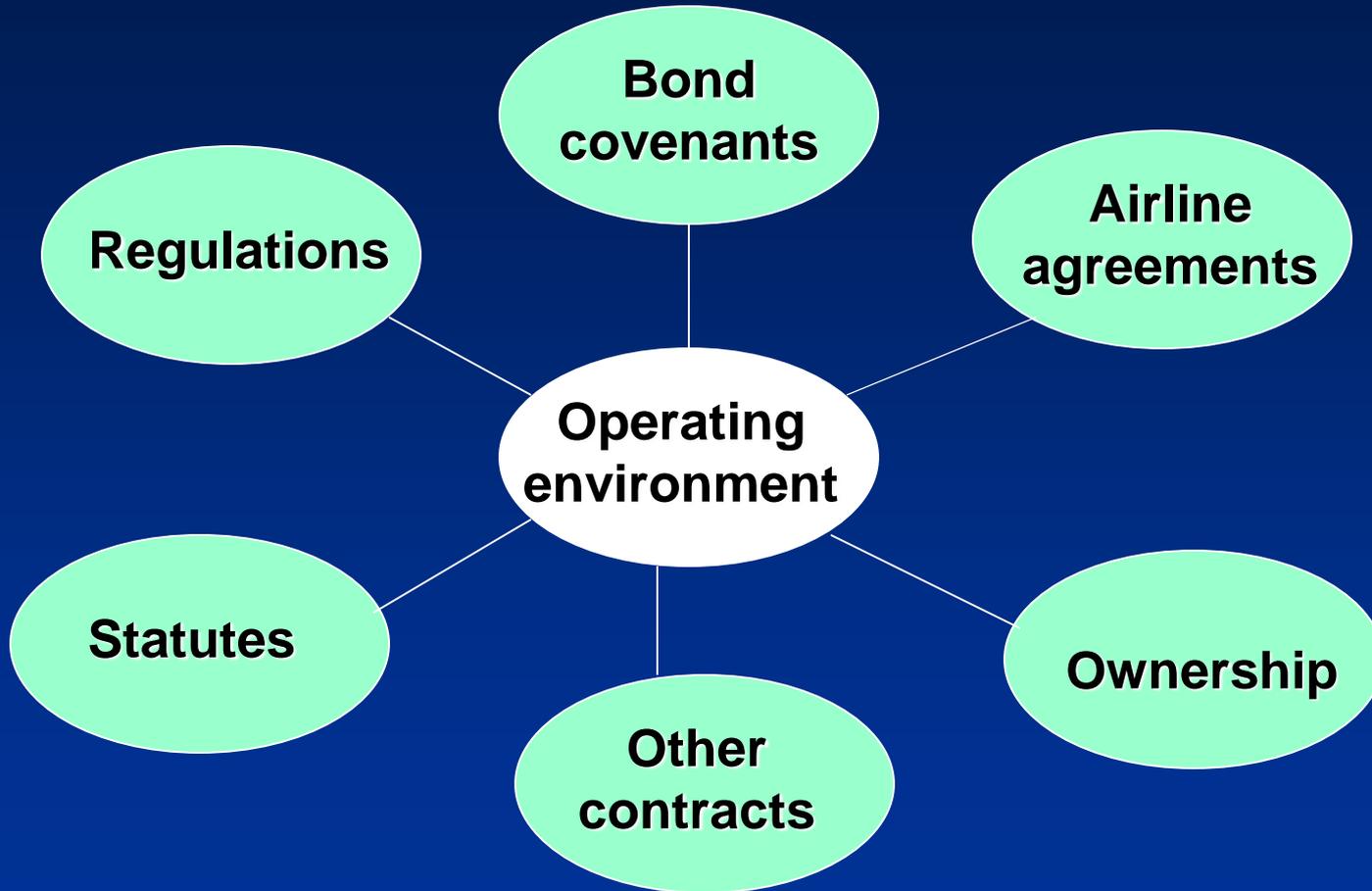
# Airport Ownership

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## *Salt Lake City Department of Airports*

- Department of Salt Lake City
- Operated as an enterprise fund
- Receives no funding from property taxes, general fund, or special district taxes
- Executive Director is appointed by the Mayor
- Subject to City ordinances and policies
- Airport policies and procedures for employees
- Airport rules and regulations for tenants

# Operating Framework



# Regulatory Framework

*Federal regulations govern airport operations.*

- **FAA regulations**
  - Aviation activity and airlines
  - Airport planning and development
  - Sources and uses of funds
  - Revenue diversion laws
- **TSA regulations**
  - All security initiatives
  - Processing of passengers and goods
- **CBP regulations**
  - Customs and immigration



# Federal Revenue Sources

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- ***Passenger Facility Charges***
  - Imposed by public agency controlling commercial airport
  - Paid by all enplaned revenue passengers (with exceptions)
  - Collection amounts can be \$1, \$2, \$3, \$4.50
  - PFC revenue used only on FAA-approved projects
  
- ***Airport Improvement Program Grants***
  - Program requires Congressional re-authorization
  - Provides grants for planning and development of public-use airports
  - Eligible projects enhance airport safety, capacity, security and environmental concerns
  - Grants cover 75% of eligible costs; 80% for noise projects; 95% for general aviation airports
  - Grant recipients are referred to as “sponsors”

# 1999 Revenue Diversion Policy

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## *Permitted and Prohibited Uses*

- **Allows for permitted uses of revenue**
  - Capital or operating costs or related to air transportation
- **Prohibits diversion of airport revenue**
  - Airport funds cannot be used for non-airport purposes, including general marketing, promotion or economic development
  - Leases and rents cannot be less than FMV for non-aeronautical assets
- **Sanctions for non-compliance**

# Bond Covenants

*Bondholders, rating agencies and capital markets play a large role in airport financing.*

- Establish funds and accounts
- Establish flow of funds
- Define revenues and expenses
- Provide for debt structures
- Define debt service coverage requirements
- Provide for an additional bonds test



# Airline Agreements

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*Airport-Airline agreements form the basis for the business model.*

- **Use and lease agreements**
  - **Residual**
  - **Compensatory**
  - **Hybrid**
- **Operating agreements**
  - **Ordinance**



## Other Contractual Relationships

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*Airports are government entities operated as businesses, with business relationships.*

- Rental car operators
- Ground transportation providers
- Food and beverage concessionaires
- Retail concessionaires
- Advertising concession
- Consultants
- Architects/Engineers
- Contractors
- Janitorial contractors
- Utility providers
- Fixed-base operators (FBOs)
- TSA/FAA/ANG/Customs
- Hangar tenants
- Cargo facility leases
- Telecom contracts
- Parking management
- Non-signatory airlines
- Building leases

# Statutory Framework

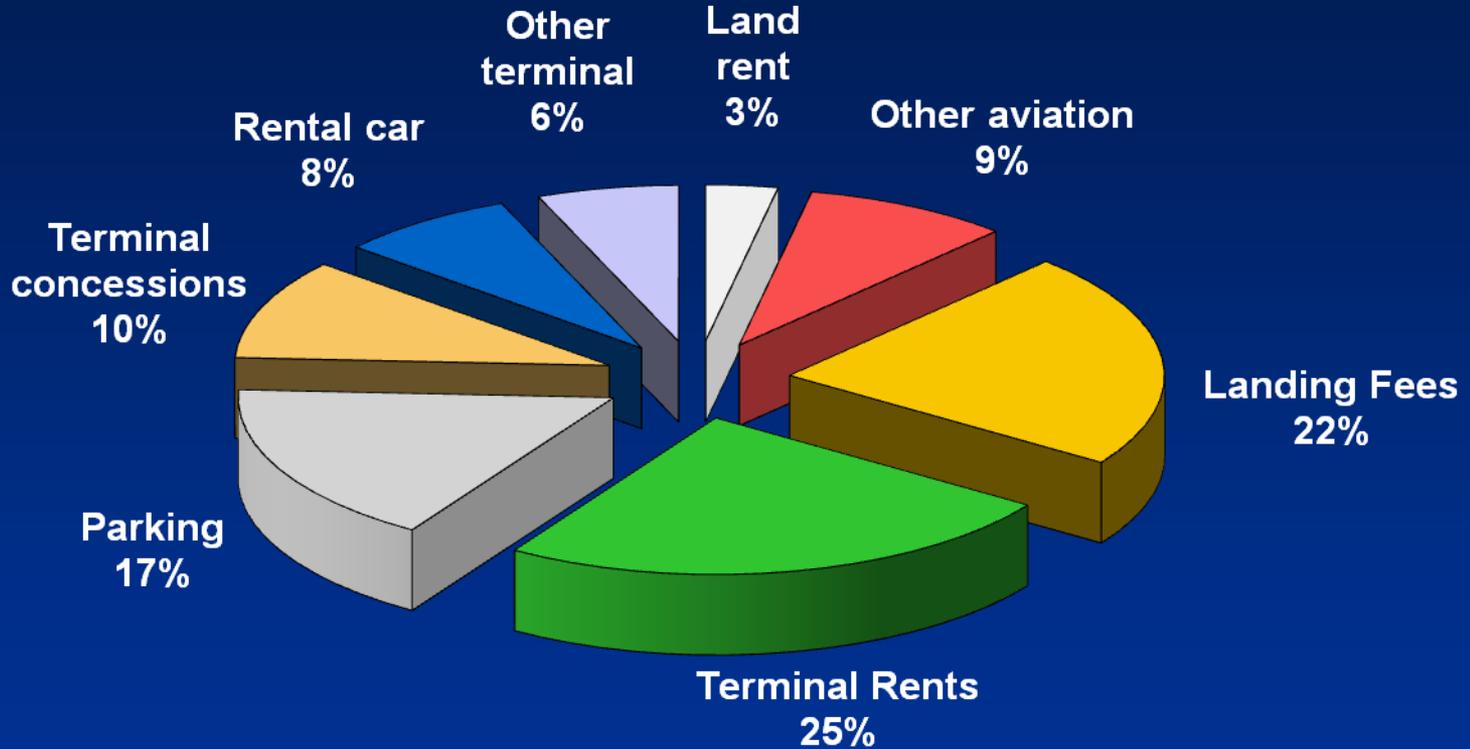
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*State law can affect airport operations.*

- **S.B. 245 – Funding related to Airports, Highways, and Public Transit**
- **Utah Code Ann. 32A-4-201 – Airport Lounge Liquor Licenses**
- **Utah Code Title 72, Ch. 10, Pt. 4 – Airport Zoning Act**
- **Utah Code Ann. 59-12-104 – Airport Construction Materials Sales Tax Exemption**
- **Utah Code Title 72, Ch. 10, Pt. 2 – Restrictions on use of Airport revenue to finance a fixed guideway**

# Large Hub Airport Revenues

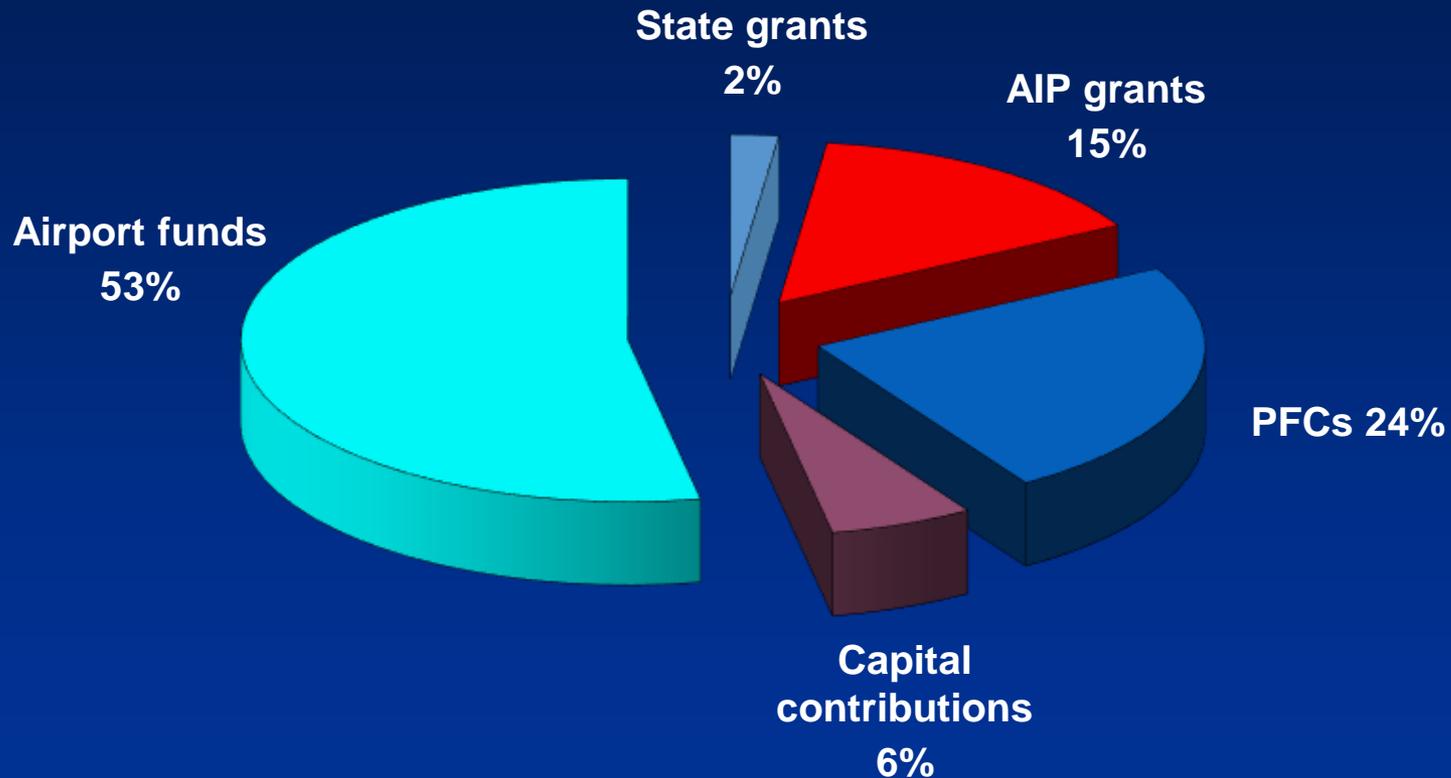
*On average, airlines contribute about 55% of total airport revenues.*



Source: ACRP Innovative Finance and Alternate Source of Revenues for Airports , 2007

# Capital Funding Sources at Airports

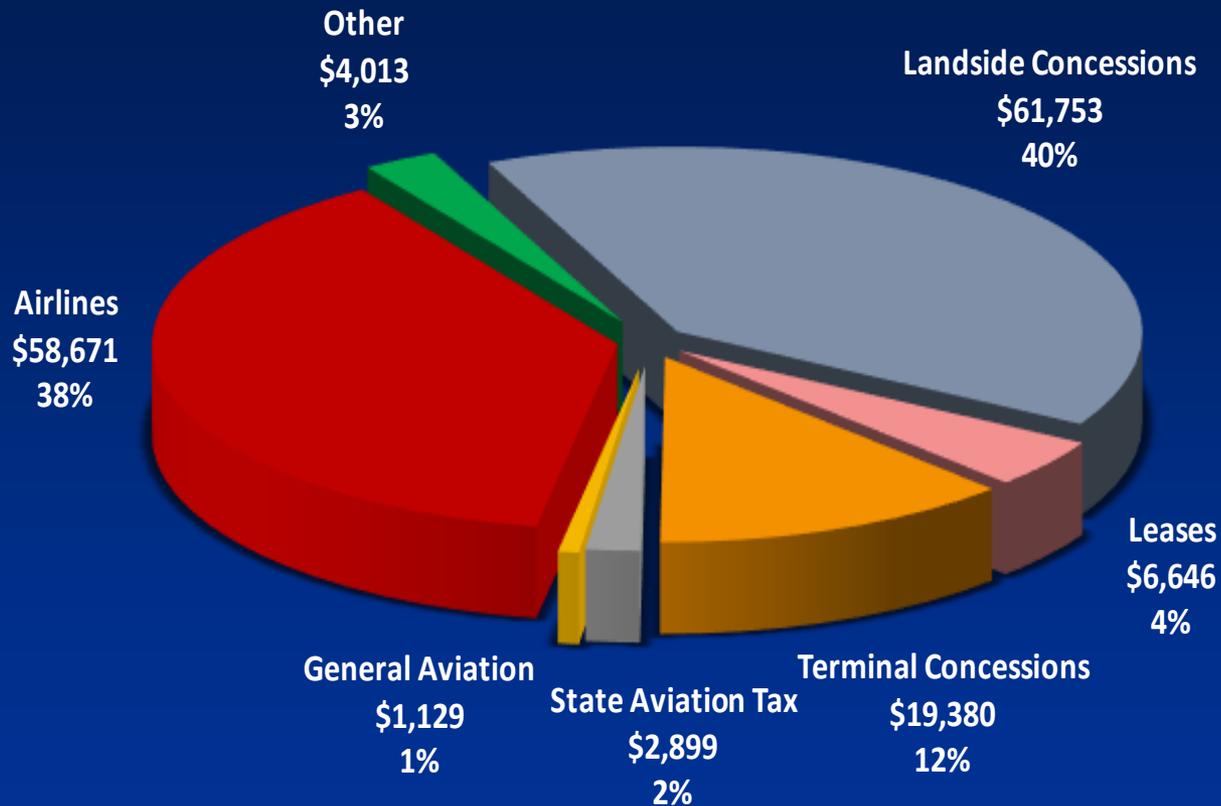
*Airport sources provide most of the funding for large capital programs.*



Source: GAO report, Airport Funding, Large Hubs, GAO-17-504T

## FY 2018 Operating Revenues (in thousands)

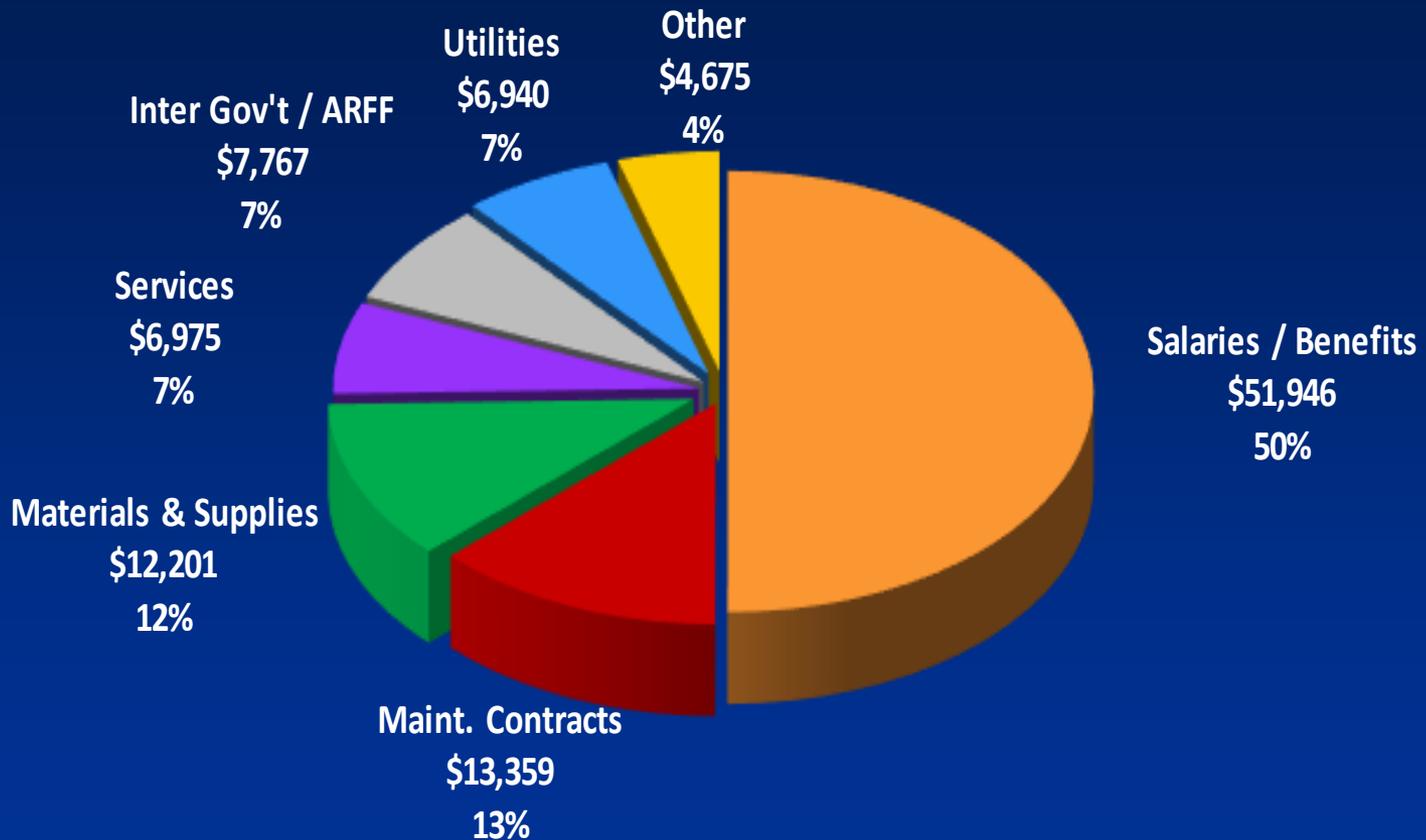
*Total revenue budget of \$154.5 million has been increasing.*



Note: Total Operating Revenues of \$166,677,500 less Airline PAX Rebate of \$12,186,800 equals \$154,490,700.  
Source: Airport records (in thousands)

# FY 2018 Operating Expenses (in thousands)

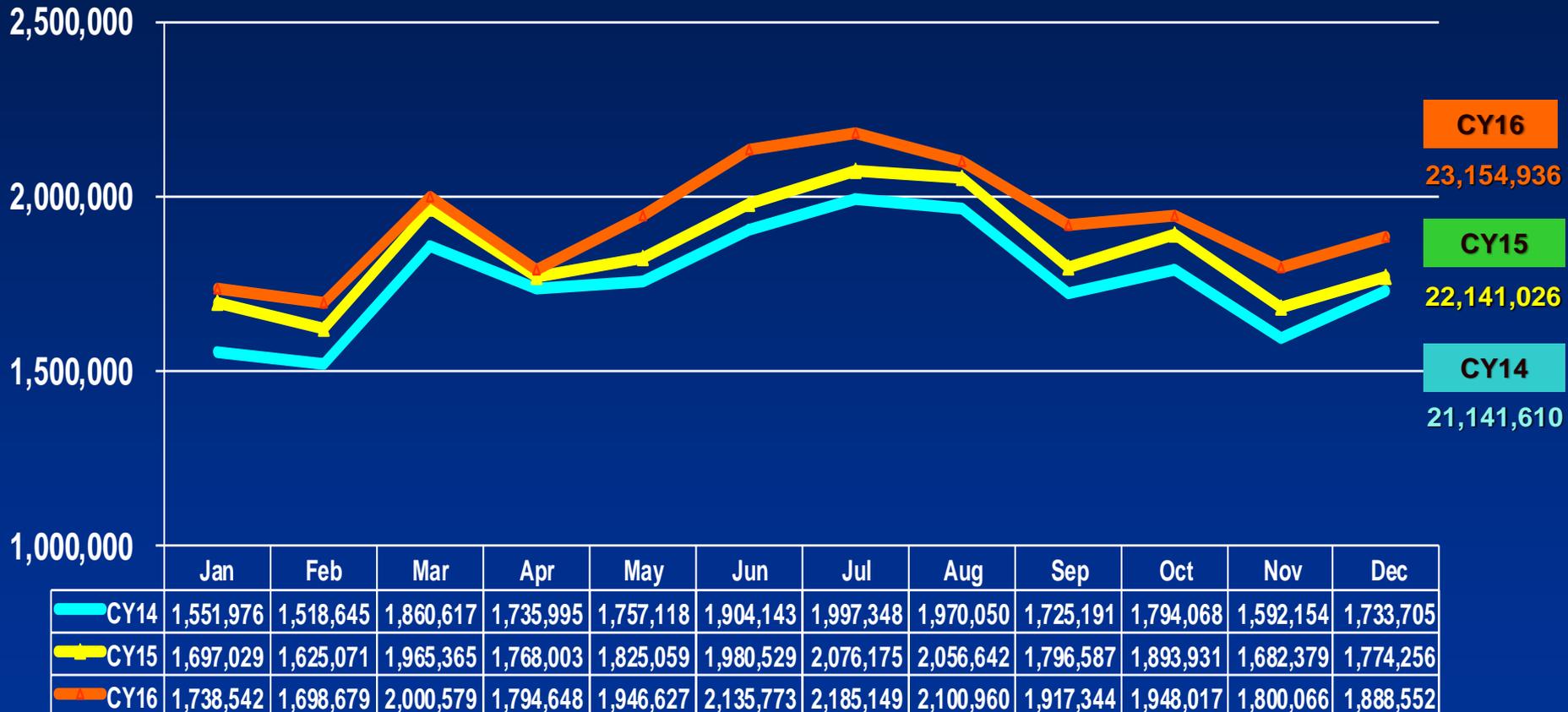
*Total operating expenses of \$103.9 million have remained stable.*



Source: Airport records (in thousands)

# Passenger Activity

Passenger traffic in CY16 has increased 4.58% over CY15. (January - December)

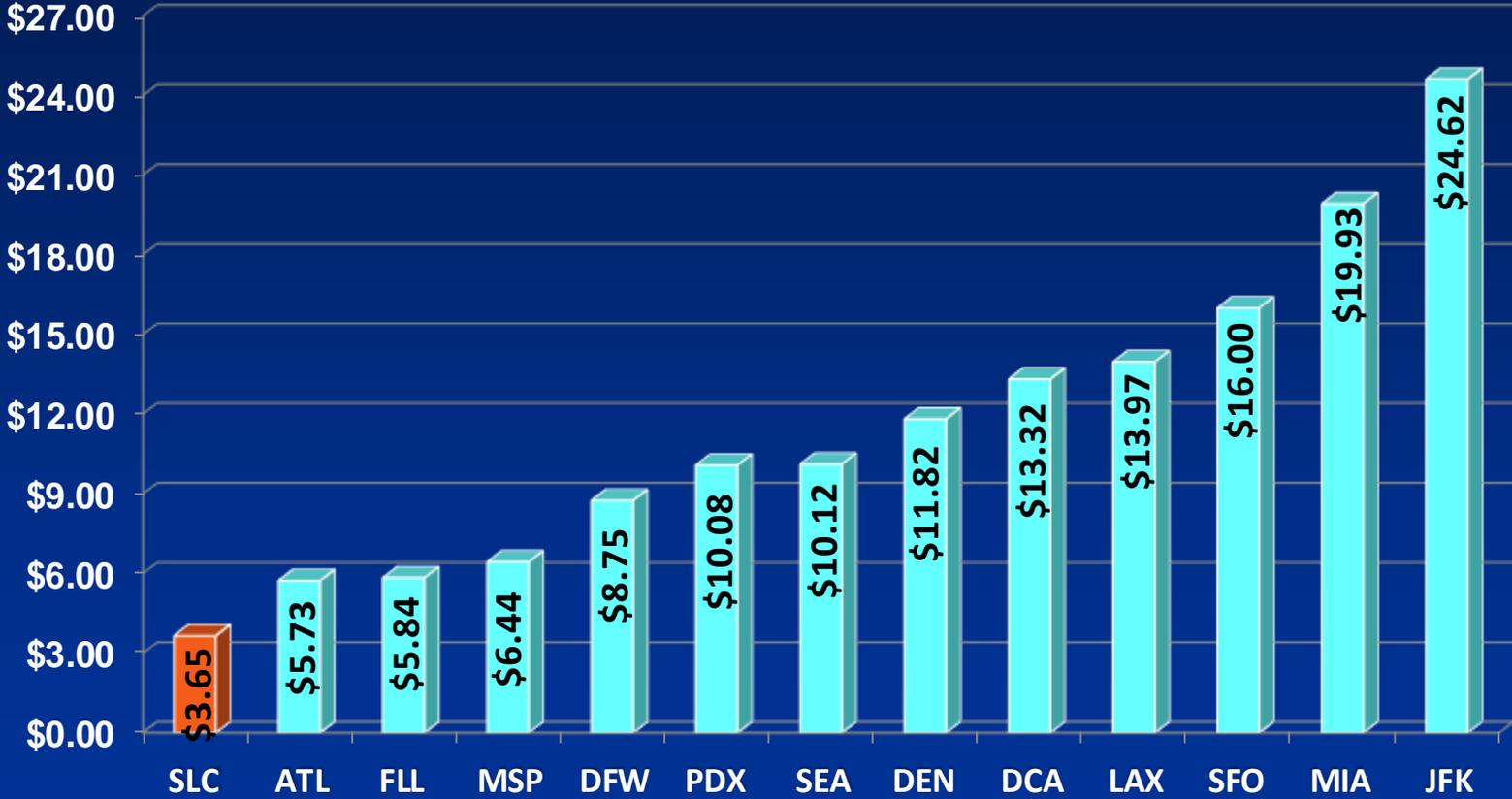


Source: Airport records



# Cost Per Enplaned Passenger (CPE)

*SLC's airline costs per enplaned passenger have remained lower than other airports. (FY2015)*



Source: ACI-NA Industry survey FY 2015.



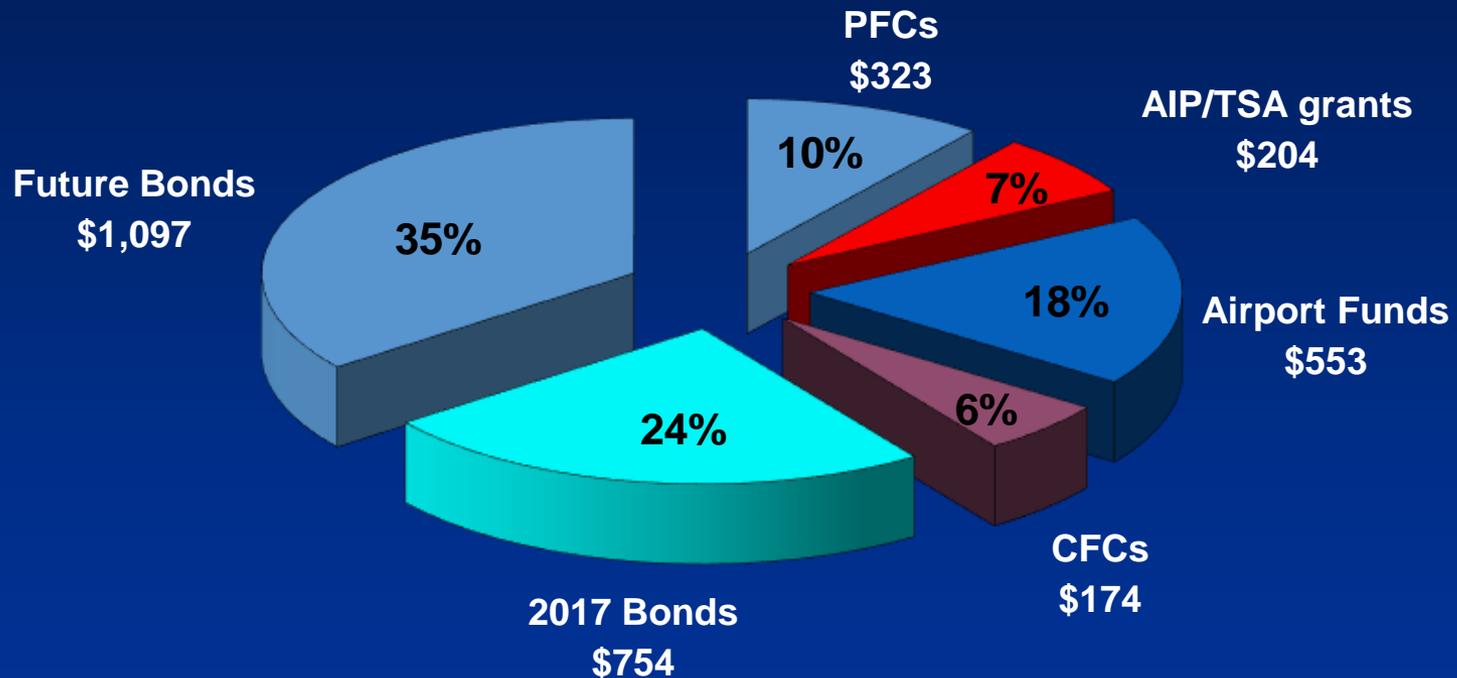
# Airport Redevelopment Program

*Phase 1 completion, including garage, terminal and concourse, is scheduled for 2020.*



# Airport Redevelopment Budget (in millions)

*Airport sources provide most of the \$3.1 billion in funding for Airport redevelopment.*



Source: Airport records, March 2017

# Salt Lake City Department of Airports

